

Registration Fees and Depreciation Schedules

Current Revenue & Depreciation Schedule

Based on the registration data provided by WYDOT, statewide registration fees **generate \$143.3 million in revenue** from 941,022 vehicles in the last twelve months. For the purpose of this discussion, “registration fee” does not include the state fee.

Current Registration Fee Depreciation Schedule (5 Year)					
Model Year	Vehicles	Total MSRP	Depreciation Rate	Tax Ratio	Revenue
2018	988	\$33,557,058	60%	3%	\$604,027
2017	28,055	\$912,861,362	60%	3%	\$16,431,505
2016	36,737	\$1,188,845,449	50%	3%	\$17,832,682
2015	47,038	\$1,524,660,041	40%	3%	\$18,295,920
2014	43,756	\$1,326,685,851	30%	3%	\$11,940,173
2013	40,818	\$1,221,726,693	20%	3%	\$7,330,360
2012 and older	743,630	\$15,738,664,055	15%	3%	\$70,823,988
Totals:	941,022	\$21,947,000,509			\$143,258,655

By law, that revenue was distributed in the same manner as other property taxes, meaning that on average, **72% of the revenue, \$103.1 million, was distributed directly to school districts or the School Foundation** and County General Funds retained 12%, or \$17.2 million. The other 16% was distributed to cities and towns, special districts and other taxing entities.

The Wyoming County Treasurer’s Association and Wyoming County Commissioner’s Association agree that, for the reasons of stability and predictability, **the current taxation method for vehicles should not be changed**. However, we have complied with the committee’s request to explore the idea of other depreciation scenarios.

Ten Year Depreciation Schedule

The Transportation Committee asked for a longer depreciation schedule with the goal of reducing the registration fees for older vehicles, which represent 743,630, or 79%, of the 941,022 vehicles currently registered. While extending the depreciation schedule does reduce the cost of registering older vehicles, it also results in a considerable **revenue loss, an estimated \$42.2 million annually**.

Revenue Loss with 10-Year Depreciation & No Other Changes					
Model Year	Vehicles	Total MSRP	Depreciation Rate	Tax Ratio	Revenue
2018	988	\$33,557,058	60%	3%	\$604,027
2017	28,055	\$912,861,362	60%	3%	\$16,431,505
2016	36,737	\$1,188,845,449	50%	3%	\$17,832,682
2015	47,038	\$1,524,660,041	40%	3%	\$18,295,920
2014	43,756	\$1,326,685,851	30%	3%	\$11,940,173
2013	40,818	\$1,221,726,693	20%	3%	\$7,330,360
2012	41,448	\$1,252,305,043	15%	3%	\$5,635,373
2011	37,286	\$1,134,291,868	12%	3%	\$4,083,451
2010	28,560	\$773,933,046	10%	3%	\$2,321,799
2009	27,926	\$689,020,958	8%	3%	\$1,653,650
2008	45,542	\$1,166,809,692	6%	3%	\$2,100,257
2007 and Older	562,868	\$10,722,303,448	4%	3%	\$12,866,764
Totals:	941,022	\$21,947,000,509			\$101,095,961

Average Registration Fee			
Model Year	Current	10-Year	Difference
2018	\$611	\$611	\$0
2017	\$586	\$586	\$0
2016	\$485	\$485	\$0
2015	\$389	\$389	\$0
2014	\$273	\$273	\$0
2013	\$180	\$180	\$0
2012	\$95	\$136	\$41
2011	\$137	\$110	-\$27
2010	\$122	\$81	-\$41
2009	\$111	\$59	-\$52
2008	\$115	\$46	-\$69
2007 and Older	\$86	\$23	-\$63

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To be revenue neutral, the cost of registering newer vehicles must be increased in order to offset the reduction of fees for older models.

Revenue Neutral Ten-Year Scenario

The tax rate for vehicle registrations is applied based on the “year of service,” according to Wyoming Statutes. To date in 2017, 988 vehicles with a model year of 2018 have been registered. Since they were in their first year of service, the 2018 models were taxed at the same rate as 2017 models — 60%. One way to increase revenue on newer vehicles is to charge a premium for those vehicles registered in advance of the model year. (e.g., a 2018 vehicle registered in calendar year 2017).

This scenario **sets an 80% depreciation rate for the newest vehicles** and increases the rate for all model years in the top half of the depreciation schedule. The bottom half are reduced below the current 15% depreciation rate threshold. This scenario lowers the cost of registering older vehicles while remaining approximately revenue neutral, **generating \$142.8 million compared to the current revenue of \$143.3 million.**

Revenue-Neutral 10-Year Depreciation					
Model Year	Vehicles	Total MSRP	Depreciation Rate	Tax Ratio	Revenue
2018	988	\$33,557,058	80%	3%	\$805,369
2017	28,055	\$912,861,362	70%	3%	\$19,170,089
2016	36,737	\$1,188,845,449	65%	3%	\$23,182,486
2015	47,038	\$1,524,660,041	60%	3%	\$27,443,881
2014	43,756	\$1,326,685,851	45%	3%	\$17,910,259
2013	40,818	\$1,221,726,693	35%	3%	\$12,828,130
2012	41,448	\$1,252,305,043	25%	3%	\$9,392,288
2011	37,286	\$1,134,291,868	15%	3%	\$5,104,313
2010	28,560	\$773,933,046	12%	3%	\$2,786,159
2009	27,926	\$689,020,958	10%	3%	\$2,067,063
2008	45,542	\$1,166,809,692	8%	3%	\$2,800,343
2007 and Older	562,868	\$10,722,303,448	6%	3%	\$19,300,146
Totals:	941,022	\$21,947,000,509			\$142,790,527

Average Registration Fee			
Model Year	Current	10-Year	Difference
2018	\$611	\$815	\$204
2017	\$586	\$683	\$98
2016	\$485	\$631	\$146
2015	\$389	\$583	\$194
2014	\$273	\$409	\$136
2013	\$180	\$314	\$135
2012	\$95	\$227	\$131
2011	\$137	\$137	\$0
2010	\$122	\$98	-\$24
2009	\$111	\$74	-\$37
2008	\$115	\$61	-\$54
2007 and Older	\$86	\$34	-\$52

Although estimated to be revenue neutral, this scenario **places a considerable burden on owners of newer vehicles during the first five years of ownership** and has a negative impact on the overall cost of vehicle ownership in Wyoming.

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Overall Cost of Ownership

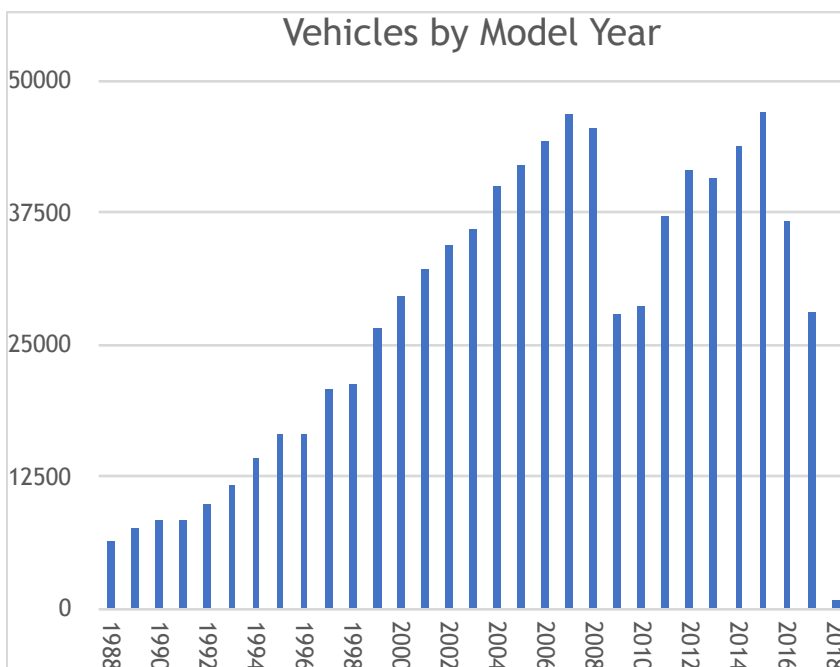
When compared to the current schedule, increasing the cost of registrations for newer vehicles to depreciate them for a longer period **increases the overall cost of ownership** in the short- and medium-term.

Cost of Ownership Comparisons													
MSRP	Schedule	New	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
\$20,000	Current	\$360	\$300	\$240	\$180	\$120	\$90	\$90	\$90	\$90	\$90	\$90	\$1,740
	10-Year Proposed	\$420	\$390	\$360	\$270	\$210	\$150	\$90	\$72	\$60	\$48	\$36	\$2,106
\$30,000	Current	\$540	\$450	\$360	\$270	\$180	\$135	\$135	\$135	\$135	\$135	\$135	\$2,610
	10-Year Proposed	\$630	\$585	\$540	\$405	\$315	\$225	\$135	\$108	\$90	\$72	\$54	\$3,159
\$50,000	Current	\$900	\$750	\$600	\$450	\$300	\$225	\$225	\$225	\$225	\$225	\$225	\$4,350
	10-Year Proposed	\$1,050	\$975	\$900	\$675	\$525	\$375	\$225	\$180	\$150	\$120	\$90	\$5,265
\$70,000	Current	\$1,260	\$1,050	\$840	\$630	\$420	\$315	\$315	\$315	\$315	\$315	\$315	\$6,090
	10-Year Proposed	\$1,470	\$1,365	\$1,260	\$945	\$735	\$525	\$315	\$252	\$210	\$168	\$126	\$7,371

While the owners of older vehicles will benefit from an immediate tax reduction, the purchaser of a new vehicle would have to **own and register that vehicle for over 20 years before they break even** on the 10-year schedule as compared to the current schedule.

Possible Impacts on Revenues

There's always a risk when formulas for revenue streams are altered. In this case, placing more of a burden on the owners of newer vehicles to reduce the cost on older vehicles **makes the registration fee revenue more reliant on people purchasing newer model cars**. Economic downturns can have an impact on this buying behavior and have in the past.



As this chart shows, for twenty years — from 1988 through 2008 — Wyoming residents registered more vehicles for the new model year than the year before.

The financial crisis in 2008 had a significant impact on vehicle purchases, as Wyoming residents only registered 27,926 vehicles of model year 2009, a 39% decrease from the 45,542 registered with model year 2008. As the chart shows, new vehicle sales didn't recover until 2012.

Should a similar event occur with the ten-year depreciation formula, **the impact on revenues would be more drastic** than with the current depreciation schedule.

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The Committee has also expressed concerns about the high cost of registering vehicles in Wyoming and the incentive that creates for Wyoming residents to register in other states. While Treasurers still believe that is a sales tax issue and not a registration issue, increasing the cost of registering newer vehicles certainly does nothing to alleviate that concern.

Conclusion

The Wyoming County Treasurer's Association and Wyoming County Commissioners Association **are not in favor of changing the current depreciation schedule for vehicle registrations.** While depreciating vehicles over ten years instead of five does lower the cost of registering older vehicles, it does so by shifting the tax burden to owners of newer vehicles and increasing the overall cost of vehicle ownership.

Shifting the burden to newer vehicles also introduces more risk that an economic downturn could have significant impact on registration fee revenues to all taxing entities including counties and school districts.